

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
(SAN FRANCISCO DIVISION)

SHASTA STRATEGIC INVESTMENT
FUND, LLC; AND PRESIDIO GROWTH
LLC (Tax Matters Partner),

Petitioners,

v.

UNITED STATES OF AMERICA,

Respondent.

CASE NO. C-04-4264-RS

Related to Case Nos. C-04-4309-RS, C-04-4398-RS, C-04-4964-RS, C-05-1123-RS, C-05-1996-RS, C-05-2835-RS, and C-05-3887-RS

FINAL JUDGMENT

Pursuant to the Court's orders of July 31, 2014 (as modified by order of September 11, 2014) and December 19, 2014 in the captioned related cases, which resolve the issues raised by the parties on summary judgment, the Court enters judgment as follows:

1. With respect to Petitioners' challenges to IRS adjustments to partnership items identified in the FPAA notice to the Shasta Strategic Investment Fund at issue in this case, judgment is entered in favor of the United States and against the Petitioners, with one exception: since the Court determines that interest expense deductions arising out of the premium loans underlying the BLIPS transactions are properly disallowed, the Court also determines that interest income derived from those premium loans shall also be disregarded for tax purposes;

2. With respect to the Petitioners' challenges to IRS determinations regarding the valuation misstatement and substantial understatement penalties identified in the FPAA notice to the Shasta Strategic Investment Fund at issue in this case, judgment is entered in favor of the

1 United States and against the Petitioners, and the Court determines that both penalties
2 provisionally apply at the partnership level. The United States' request for a determination of the
3 provisional applicability of the negligence penalty is hereby denied.

4 3. The Shasta Strategic Investment Fund is determined to be a tax shelter for
5 purposes of applying I.R.C. § 6662(d).

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8 Dated: January 20, 2015


